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INFO RUEHZK/ECOWAS COLLECTIVE
RUEHDK/AMEMBASSY DAKAR 1401
RUEHFR/AMEMBASSY PARIS 1192
RUEHSA/AMEMBASSY PRETORIA
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SUBJECT: BENIN: PRIVATIZATION OF COTTON GINNING FACTORIES CANCELLED

REF: (A) COTONOU 871 (B) COTONOU 809

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1.(U) Summary. On November 1, 2007 the GOB cancelled the privatization contract of Sonapra's ginning factories and the creation of the public private joint venture SODECO (Company for the Development of Cotton). Official grounds for the cancellation were irregularities observed and voiced after the conclusion of the bidding and the formation of SODECO. End Summary.

2.(U) Per Ref B, the GOB announced the creation of SODECO, a majority private company within which the GOB would retain a substantial stake, on October 6. On October 22, the GOB's Council of Ministers annulled the decree creating SODECO citing unspecified irregularities. After much speculation that the winning bidder and the GOB were still in negotiations to save the deal, the GOB annulled the entire bidding process for Sonapra's ginning factories on November 1, 2007 again specifying unnamed irregularities.

3.(U) According to media reports and Embassy sources, the subject irregularities include: (1) the failure of the successful bidder to pay the government's price for Sonapra's assets between winning the bid and creating SODECO as required by the contract, (2) scheduling of the first session of the board of directors of SODECO the day it was created (the law governing these acquisitions provides for the first board meeting to take place fifteen days later), and (3) a dispute over the composition of the new company's board of directors (members of the GOB feel that the government is underrepresented with just one seat on the board of directors versus 6 for the successful bidder and his associates). The value of the new company was also a problem as its intangible assets, for example, the knowledge of its employees, was not included when the GOB valued Sonapra's capital before the bidding process began.

4.(SBU) Commenting on one of the irregularities, a source in the President's office said Minister of State Koupaki, who was supervising the bidding process, did not have the approval of President Yayi before holding the first meeting of SODECO's board of directors in Koupaki's office (Ref A). He also voiced concern about the number of seats accorded to the GOB on SODECO's board of directors and the capital of SODECO.

5.(U) Comment. Ginning activities will resume in November. Thus, the

GOB may have to postpone the new bidding process until mid-2008, allowing SONAPRA to participate in the harvest and ginning process for this year. Cancellation of this bid represents the GOB's second failure to privatize SONAPRA's ginning factories. A third attempt might result in even fewer bids at lower prices as bidders begin to question the GOB's intention to privatize SONAPRA. End Comment.

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